

Detroit, Michigan. Testimony Presented by Barry Cargill, Vice President for Government Relations of the Small Business Association of Michigan, April 4, 2003, before Congressman John Conyers, Jr., ranking member of the House Judiciary Committee and Dean of the Black Caucus and other select members of the Senate Judiciary Committee.

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Good Morning! My name is Barry Cargill, I am the Vice President for Government Relations for the Small Business Association of Michigan. We are often referred to as SBAM. We are a state based trade association based in Lansing, Michigan representing 7,000 small businesses located in all counties of Michigan.

Michigan small businesses want a truly competitive market for telecommunication services. After nearly a decade of what can only be described as an unregulated monopoly, SBC-Ameritech Michigan enjoys huge profits at the expense of local telephone customers.

Competition in telecommunications is the cornerstone of lower prices, better service and innovation. Congress sought to open the Bell's monopoly control of the local telecom market and Michigan responded with a futile attempt to deregulate local service first in 1991 and again in 1995. It was finally in 2000 when the Michigan legislature passed legislation that gave authority to the Michigan Public Service Commission (MPSC) to assist in fostering a competitive market for local telephone service in our state. SBAM was proud of the courageous efforts of the MPSC over the last three years to aggressively carry out the will of the legislature by taking a tough stand against SBC-Ameritech when the company violated their requirement to open lines to competitors and undertook other efforts to prevent competition from taking hold in our state.

Prior to 2000, competitors held less than a 2% market share in the Ameritech service territory. Competitors held less than 1% in the GTE territory (now Verizon). Since that time, Michigan competitive local telephone companies progressed to a market penetration of over 20% in the SBC-Ameritech service territory. However, despite progress, Michigan's 20 percent market share is very fragile. Less than 7% is facilities based meaning that most of Michigan's competition is UNEP. It was the UNEP requirement that the FCC correctly imposed upon SBC-Ameritech that is credited for our competition progress to date. Now is not the time to release the telephone giant from the UNEP Without the UNEP requirement to open lines to competitors at reasonable

wholesale rates, we believe Michigan's competitive market share would reduce to 7% almost overnight.

Competitive Local Exchange Carriers (CLEC's) need time to establish themselves financially so they can invest in facilities based infrastructure. Michigan facilities based infrastructure assures that around 7% of the Michigan market is sustainable for competition. More time is needed for competitors to penetrate and sustain a competitive market for local service.

CLEC's are Michigan's best hope for having a truly competitive market and they need our collective help to sustain the industry. We believe that over time, CLEC's will become financially stable and better equipped to sustain a competitive foothold in the local telephone market in our state.

With competition will come improved service and lower prices for local telephone service. Michigan is the best example of how competition can work. Congress and the Federal Communication Commission need to allow the federal act to work and not take steps that would reduce competition.

Recently, the state of Michigan gave what SBAM believes was premature support for SBC-Ameritech's application for long distance service in Michigan. After the company passed only 61% of the 14-point checklist adopted by the FCC, Michigan was quick to give conditional support. The state recognized that SBC-Ameritech did not complete many of the 14 points but still gave its support, thinking the state could continue to have enforcement power over them. SBAM seriously questions the ability of the state to monitor SBC-Ameritech and enforce fair play in the Michigan local telephone marketplace. Further, we believe that the MPSC support for SBC-Ameritech's 271 application was premature and politically motivated.

Small business customers want the benefit of lower cost and better local telephone service. To achieve that goal, we ask your consideration for the following recommendations.

1. Investigate why SBC-Ameritech and Verizon choose not to compete against each other in Michigan. Two companies that have the ability to compete head to head have chosen not to over the last decade since Michigan began its voyage into telephone deregulation (1991). Why should these companies continue to remain exempt from anti-trust?
2. Communicate to the FCC and the MPSC your support for continuing the UNEP requirement for SBC-Ameritech to open its lines to competitors until such time as Michigan's local telephone market is sustainable. The importance of the MPSC's oversight on setting a reasonable wholesale rate for competitors leasing the SBC-Ameritech lines is critical to moving forward to sustainable local telephone competition.

3. Communicate to the FCC your opposition to SBC-Ameritech's 271 application to enter the Michigan long distance market until such time as they have completed all 14 of the FCC requirements. Small business does not believe that 61% is a passing grade.
4. Communicate with the MPSC and the State of Michigan to express your displeasure at their premature support for the SBC-Ameritech 271 application. Michigan does not have irrevocable competition and the MPSC's role as "traffic cop" is not done yet.

In conclusion, let me clearly state that SBAM is opposed to SBC-Ameritech's 271 application. SBAM submitted comments on this issue with the FCC jointly with the Michigan CLEC Association and the Michigan Consumer Federation. SBAM urges your support in helping us convince the FCC to deny the application. Lastly, even before the FCC makes its ruling on April 14, we urge the state and federal elected leaders in Michigan to urge SBC-Ameritech to do the honorable thing and withdraw their 271 application until Michigan truly has sustainable competition in Michigan.

Thank you for your time and interest today. Small business customers are depending on your leadership. I would be pleased to answer any questions you may have.